



BIGGS APPRAISAL

PROVIDING VALUATION AND TRANSPORTATION SERVICES TO THE RAIL INDUSTRY



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Changes in the Rail Fleet Over Time

By Johanna Crowley

There have been considerable changes in the rail fleet since the emergence of Covid in early 2020. Historically high scrap prices have triggered an increase in scrapping activity as older, less desirable railcars that are damaged or have a 263,000-pound or lower Gross Rail Load (GRL) come off lease. Railcar owners have been able to bring in higher than book value when scrapping these cars as opposed to storing them until they could be leased out. There are 777 different freight car types, and between January 2021 and January 2022, 522 car types had a net loss, 211 car types did not change, and only 44 actually had a net gain.

The C113 car type has seen the most significant decrease in number. Overall, there was a decrease of 16,320 units. This number is slightly less than four times the amount of the 4,478 units that the C113 car type decreased from 2020 to 2021. Many of the C114 railcars that have been scrapped likely fall under the 263,000 pound GRL that were upgraded under interim 286,000 pound standard S259. A lot of these cars were previously plastic pellet cars that were converted to grain hoppers in the early 90's. As more 286,000 pound GRL capacity cars enter the market, it has become increasingly difficult to lease older, lower capacity cars that may have defects that are expensive to fix.

It is not surprising that the C112 car type saw a significant decline in the number of units. Railcars with a 263,000 GRL have become virtually obsolete and completely unleaseable. Modern, late model cars that cannot be leased out have also been scrapped in favor of paying high storage fees.

The J311 and K341 car types that make up part of the utility coal fleet have also seen a decrease that has been consistent over the years. However, it is possible that, due to the increased prices of natural gas, the utility coal fleet could be reaching equilibrium.

DOT regulations have caused a steady decline in the T108 fleet over the last few years. Most of the scrapping in this car type are pre-2000 built 263,000 GRL cars, or 286,000 GRL cars with a combination of corrosion and high retrofitting costs.

The V295 is a tri-level multiple unit auto rack with "an extreme height of 20' 02" and over" that had full height Tri-fold doors. The popularity of SUV type automobiles and Pickup trucks pushed older cars that do not have adjustable deck heights of this type into retirement.

Gainers in 2021

Rank	ETC	Change in 263 GRL	Change in 265-270 GRL	Change in 286 GRL	Change in Other GRL	Total Net Change
1	T178	-14	-	2,856	-	2,842
2	V795	-	-	-	678	678
3	T854	-	-	-27	531	504
4	T929	50	-	262	-	312
5	T179	-	-	306	-	306
6	T419	180	-	-7	-	173
7	G519	-	-2	169	-	167
8	F471	-	-	140	-	140
9	G119	-33	-	135	-	102
10	V915	-	-	-	93	93
Total		183	-2	3,834	1,302	5,317

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Biggs Appraisal and Subjects of Value are service products of Edward D. Biggs III, LLC D/B/A Biggs Appraisal. An Accredited Senior Appraiser (ASA) member of the American Society of Appraisers with a focus on rail equipment, locomotive, railcar, and maintenance of way equipment valuations. Ed Biggs has spent over 43 years in the railroad industry with a mix of significant experience with railroads and leasing companies, including experience in fleet operations, mechanical, and sales. Biggs has particularly in-depth knowledge of railcar extended life upgrade and rebuilding programs. Biggs Appraisal also researches a wide variety of subjects to support valuations, both for its own interests and those of its clients. Stuart Biggs has been involved with every aspect of Biggs Appraisal's business for over 11 years and is a qualified rail equipment inspector that you can expect to see more of on inspections. Johanna Biggs Crowley has been working for four years in research, appraisals, and inspections both are members of the American Society of Appraisers. The articles in Subjects of Value are by necessity brief and are designed to spur further conversation. Questions, comments, and feedback are always appreciated. This newsletter is aimed at people interested in the rail industry. If you wish to be added to the Subjects of Value mailing list there is a sign-up form on the front page of our website Biggsappraisal.com. We encourage industry distribution of this newsletter.



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(Continued from page 1)

Updated DOT regulations for High Hazard Flammable commodities triggered the demand for cars that meet DOT 117 standards. Between 2021 and 2022, the T178 car type saw a significantly higher total net change than any of the other gainers. As the T108 car numbers decline due to either being scrapped or retrofitted, the T178 car type reflects an increase. These cars most commonly carry ethanol, but can

also carry crude oil. The increase of T179s that carry light crude can also be attributed to the updated DOT regulations.

The V795 car type is a bi-level, fully enclosed, articulated autorack with tri-fold doors, and the V915 is a bi-level, fully enclosed autorack with tri-fold doors. The increase in these car types that are capable of carrying larger SUVs and pickup trucks goes hand in hand with the decrease of the V295 that cannot carry larger vehicles.

Losers in 2021

Top 10 Losers	ETC	Change in 220 GRL	Change in 263 GRL	Change in 265-270 GRL	Change in 286 GRL	Change in 315 GRL	Change in Other GRL	Total Change from January 2020
1	C113	-108	-7,910	-5,617	-2,665	-	-20	-16,320
2	C112	-1	-661	-383	-8,648	-	-8	-9,701
3	J311	-	-224	-428	-7,275	-26	-	-7,953
4	C214	-	-4,287	-1,631	-560	-3	-2	-6,483
5	T108	-	-5,143	-	-650	-	-	-5,793
6	K341	-	-3	-4	-4,985	-	-109	-5,101
7	C114	-94	-332	-372	-2,736	-6	-1	-3,541
8	E534	-26	-1,681	-303	-1,387	-	-3	-3,400
9	B435	-	-4	-	-2,905	-	-	-2,909
10	V295	-	-	-	-	-	-2,701	-2,701
Total		-229	-20,245	-8,738	-31,811	-35	-2,844	-63,902

Overall, Covid has affected all aspects of the supply chain including acquisitions, transportation, labor, material costs, and inflation. Rail traffic has seen higher velocities and lower terminal dwell time due to there being less trains in motion. This affects the demand for railcars because when more cars are moving around at slower speeds, there is an increased need for railcars at industries.

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While freight cars are the largest segment of Biggs Appraisal's work, we also inspect and appraise locomotives of all kinds, maintenance of way equipment, and railcar movers.